

The complaint

Mr R complains that Monzo Bank Ltd was irresponsible in its lending to him.

What happened

Mr R was provided with an initial loan for £7,000 by Monzo in April 2023. The loan term was 60 months and Mr R was required to make monthly repayments of £205. He was then provided with a second loan for £4962.08. This loan had a term of 48 months and required Mr R to make monthly repayments of £167.79.

Mr R said that Monzo didn't carry out sufficient affordability checks before providing the loans and had it done so it would have seen that he already had a high amount of borrowing. He said he was struggling to meet his existing repayments and the loans were unaffordable. He raised a complaint with Monzo and as a final response wasn't issued, he referred his complaint to his service.

Monzo said that before the loans were provided it carried out credit worthiness and affordability checks using data collected through the application process and credit checks. It said that based on its checks the loans were affordable for Mr R.

Our investigator considered the information provided and the checks Monzo carried out before lending to Mr R. He found the checks were proportionate and as these suggested the lending would be affordable for Mr R he didn't uphold this complaint.

Mr R didn't agree with our investigator's view.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr R was provided with an overdraft, credit card and loans by Monzo. This decision is in regard to the loans. Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr R was provided with two loans by Monzo and I have considered each lending decision below.

Loan one: April 2023

Loan one was for £7,000 with monthly repayments of £205. Before the loan was provided, Monzo gathered information about Mr R's employment, income and housing costs. It verified Mr R's declared income through his Monzo account statements. It also carried out a credit check.

Mr R declared that he was employed full time with an annual income of £85,000. This gave a monthly net income of around £4,862. Monzo verified this and having looked through Mr R's bank statements, I find it reasonable that it relied on this income amount.

Mr R's credit check showed no recent defaults and recorded it being 34 months since a '2' was last recorded. The credit check showed Mr R had 40 accounts, which is a high number, but the other information suggested he was managing these. Information about Mr R's credit repayments was taken from his credit report and alongside the information Mr R had provided about his housing costs, estimates were used for his other essential spending. This resulted in a disposable income (after a £125 buffer was added in) of around £1,900. Given the size of the loan repayments compared to Mr R's verified income, that his credit checks didn't show signs that he was struggling financially and noting the level of disposable income, I think the checks carried out before this loan was provided were proportionate.

Having looked through the information obtained through Monzo's checks and having reviewed his account statements, I find that this loan appeared affordable for Mr R.

Loan two: January 2024

Mr R was provided with a second loan by Monzo in January 2024. As Monzo had details of how Mr R had managed loan one, this was available to be used in its assessment. Having looked through Mr R's loan one statement I can see he made a £2,000 payment towards the loan in April 2023, and then made regular repayments until the loan was settled with loan two in January 2024. Therefore, I do not find that his account management raised any concerns.

Before loan two was provided, Monzo gathered information about Mr R's employment, income and housing costs. Mr R declared he was employed with an annual income of £104,000. He recorded his housing costs as £335. Mr R's income was verified through his account statements and a credit check was carried out. Mr R's credit check showed a high number of accounts (as had happened with the previous loan) but the other information didn't suggest that he was struggling to manage these. As the second loan was for a smaller amount than the first and had lower repayments (and Mr R didn't appear to struggle with the loan one repayments) I think the checks carried out before this loan was provided were proportionate.

I have looked through the information gathered. Mr R's account statements show he was receiving income into his account from his main salary as well as other sources. Considering the regular sources of income, his average income in the months leading up to loan two appeared to be around £4,400 which is lower than the amount Monzo recorded. However, even allowing for this, considering Mr R's payments for his housing costs, credit commitments and other living costs, it still wouldn't have suggested the loan repayments of around £168 would be unaffordable for Mr R.

Other issues to consider

Although I find that the checks were proportionate and the loans appeared affordable, I have also considered whether there were any other reasons that Monzo should have identified

that meant the loans shouldn't have been provided.

While I can see that Mr R was using his overdraft at the time, there was no evidence of returned payments or other signs which would alert Monzo to financial difficulties. Mr R's monthly credit repayments accounted for a substantial amount of his monthly income, but as I think the information gathered was proportionate and this suggested the loan repayments were affordable, with a reasonable amount of disposable income remaining, I do not find I can say Mr R's existing commitments meant the loans shouldn't have been provided.

I note Mr R's comment that he was transferring funds to another account to use for gambling, but based on the information in the Monzo accounts, I do not find that it should have been aware of this. And as I think the checks carried out were reasonable, I wouldn't expect it to have asked for evidence from Mr R's other accounts. Therefore, based on the evidence available at the time the loans were provided, I do not find I can say these were lent irresponsibly.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with Mr R might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Monzo lent irresponsibly to Mr R or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

So, for the reasons set out above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 May 2025.

Jane Archer
Ombudsman